

Town of Barkhamsted
Incorporated 1779

Testimony of Donald S. Stein
First Selectman, Town of Barkhamsted
Before the Finance Committee
of the Connecticut General Assembly
March 21, 2016

**RE: SB-466 - AN ACT CONCERNING PROPERTY TAXES AND PAYMENTS
IN LIEU OF PROPERTY TAXES.**

Good morning Senator Fonfara, Representative Berger, Senator Frantz and Representative Davis, my name is Donald Stein and I'm the First Selectman of the Town of Barkhamsted. I am also the Chairman of the Northwest Hills Council of Governments, which is comprised of 21 municipalities, all of which are small communities with the exception of Torrington. I am here today to testify on issues regarding the Municipal Spending Cap, which Section 1(h) of the bill modifies.

Given the state's on-going budget challenges, many categories of state aid to municipalities are expected to be flat-funded or reduced, requiring towns to shoulder more of the costs of funding education, public safety and other critical services. However, the newly enacted Municipal Spending Cap penalizes communities that must increase local budgets to fund critical programs if budget expenditures exceed 2.5% or the rate of inflation, whichever is greater.

At this point, the penalty is equal to 50 cents for every dollar the municipality spends over the cap and is limited to the additional funding provided to municipalities under the Municipal Revenue Sharing Account. However, by penalizing communities that exceed an arbitrary spending cap without regard for the needs and priorities of the town, the Municipal Spending Cap can become extremely challenging and onerous.

Our local officials work very hard to control costs in developing their municipal budgets while continuing to meet the needs of local residents. We also closely monitor revenues and expenses to ensure that we stay within budget. There are, however, times when towns must increase spending to reflect the needs of their community.

Let me use my town of less than 3800 residents as an example. Last year, our total budget, including General Government, Education, capital projects and debt service total \$11.6 million. Of that total, 79% went to education, and the balance went to everything else, including all salaries, which comprise a little over 6% of the total budget. We operate at a barebones level, with only 10 full-time employees, 6 part-time employees and seasonal personnel added in the highway department, as needed. We are proud of our schools and the education they provide in a rural setting, and we are very proud of our ability to manage the town in a very frugal manner.

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However, this year, due to a shift in student population at Northwest Regional 7 High School, our student census increased by 21 pupils, causing an increased allocation to the town of \$345,000, or 3% of our total expenditures. Since Barkhamsted's population only represents 26% of the 4 towns in the regional school, we do not solely control its budget. This increase in expenditures would make it impossible for us to meet the spending cap and the potential loss of state aid could force us to unfairly increase taxes to our residents

The Municipal Spending Cap may also make it more difficult for towns to invest in local infrastructure projects. Although the bill proposes to exempt capital expenditures from the Municipal Spending Cap, this exemption is limited to nonrecurring capital expenditures of \$100,000 or more, and most of our projects are lower than that threshold.

The cap also fails to exempt federally mandated expenditures, such as expenditures to upgrade wastewater treatment plants to meet EPA standards. These projects can cost millions of dollars and are only partially offset by state and federal funding.

The Municipal Spending Cap effectively handcuffs towns from meeting the needs or wishes of its residents. This is particularly problematic in small towns, such as Barkhamsted, where municipal budgets are approved by the residents at a Town Meeting. In these towns, the budget reflects the will and priorities of the citizens, or per the example above, there are situations where they may not have much control over a significant percentage of the budget.

These concerns, coupled with unpredictable municipal revenue streams, can only be addressed by repealing the Municipal Spending Cap.

Thank you for the opportunity to comment.